Ontario

ONTARIO MUNICIPAL PARTNERSHIP FUND

Technical Guide

2006

Ministry of Finance

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INTRODUCTION

This document outlines the grant parameters for the Ontario Municipal Partnership Fund, and summarizes the updates and refinements introduced in 2006. It is intended to provide a technical overview of the funding model and the accompanying phase-in strategy.

OVERVIEW

The Ontario Municipal Partnership Fund (OMPF) assists municipalities with their social program costs; includes equalization measures; addresses challenges faced by northern and rural communities; and responds to policing costs in rural communities. The OMPF replaced the Community Reinvestment Fund (CRF) in 2005 as the Province's main transfer payment to municipalities.

In 2006, the OMPF will provide $707 million to 391, or 88 per cent, of municipalities. Compared to funding announced in March 2005, this represents an increase of $51 million, or 7.7 per cent. Compared to CRF payments in 2004, this represents an increase of $89 million, or 14.4 per cent.

	Allocation	**Year-over-Year increase**
2005 OMPF	$656 million	$38 million, or 6.1%
2006 OMPF	$707 million	$51 million, or 7.7%

Increased funding for the OMPF in 2006 further demonstrates the government's overall commitment to supporting municipalities, which also includes:

- More than $1 billion in provincial gas tax funding over five years
- Increasing the Province's share of public health funding to 75 per cent by 2007
- $298 million towards the $900 million Canada-Ontario Municipal Rural Infrastructure Fund
- Up to $2.2 billion in infrastructure loans through the Ontario Strategic Infrastructure Financing Authority.

WHAT'S NEW IN 2006

In response to suggestions from municipalities, a number of refinements to grant parameters have been introduced to provide enhanced support to municipalities:

Municipal Reinvestment of the National Child Benefit Savings

The municipal reinvestment of the National Child Benefit savings is now an eligible social program cost for the Social Programs Grant and the Northern and Rural Social Programs Grant Component.

Farmland and Managed Forest Assessment Grant Component

Upper-tier municipalities are now eligible for funding under this grant component, which provides support to communities experiencing revenue losses due to the tax treatment of farmland and managed forest properties.

Rural Communities and Northern Communities Grant Components

Funding benchmarks for these two grant components have each been increased by 2%, to $153 and $230 per household, respectively.

Police Services Grant

The Police Services Grant has been enhanced to provide additional support to rural communities with high policing costs. Funding has been increased to 75% for the portion of eligible policing costs that exceeds $750 per household.

Extension of Phase-In Strategy

To better support municipalities in their transition to the OMPF, the four-year phase-in strategy introduced in 2005 has been extended by two years to limit the amount of grant reductions in 2009 and 2010.

DATA AND BENCHMARK UPDATES

In order to ensure that the OMPF remains up to date and responsive to changing local circumstances, data elements such as weighted assessment, social program, and policing costs have been updated to reflect the most recent data available prior to the release of the grant (see Appendix B).

In addition, OMPF benchmarks and thresholds have been adjusted to reflect the results of the recent reassessment:

Threshold/Benchmark Updates	2005	2006
I. Social Programs Grant		
• Percentage of Weighted Assessment	0.20%	0.18%
II. Assessment Equalization Grant Component		
• Assessment per Household	$170,000	$185,000
• Assessment Equalization Factor	$62	$60
III. Northern and Rural Social Programs Grant Component		
• Percentage of Tax Revenue	15%	14%

See Appendix C for a summary of refinements and updates introduced in 2006.

THE ONTARIO MUNICIPAL PARTNERSHIP FUND: GRANTS AND COMPONENTS

The Ontario Municipal Partnership Fund will provide municipalities with $707 million in funding in 2006 through four grants:

I. Social Programs Grant — $184 million

Provides funding to assist municipalities with limited property assessment to support the municipal share of social program costs.

II. Equalization Grant — $197 million

Provides funding to municipalities with limited property assessment through two components:

- Assessment Equalization – $149 million
- Farmland and Managed Forest Assessment – $48 million

III. Northern and Rural Communities Grant — $260 million

Provides funding to northern and rural communities to recognize their unique challenges through four components:

- Rural Communities – $150 million
- Northern Communities – $82 million
- Northern and Rural Social Programs – $22 million
- Stabilization – $6 million

IV. Police Services Grant — $66 million

Provides funding to rural communities to support policing costs.

I. Social Programs Grant

This grant provides funding to municipalities with limited property assessment to support the municipal share of eligible social program costs (for a definition of eligible costs see Appendix A). Funding is provided to municipalities whose costs for these programs exceed the revenue that could be raised by levying a 0.18% property tax rate on their assessment base.

This grant assists municipalities in meeting the municipal portion of the established cost-sharing arrangements for social programs. The Province will continue to fund its portion of the cost-shared programs, as well as provide additional funding through the OMPF to help municipalities pay for their share of these arrangements.

Distribution: The Social Programs Grant is distributed to upper- and single-tier municipalities.

Example 1.1
Municipality A:

- Municipal share of eligible social program costs: $125,000
- Total assessment: $27,500,000

Threshold amount: $27,500,000 × 0.18% = $49,500

Grant: $125,000 – $49,500 = $75,500

II. EQUALIZATION GRANT

This grant provides funding to municipalities that have limited property assessment through two components:

1. Assessment Equalization Grant Component

This component provides funding to municipalities with limited property assessment due to lower property values and limited non-residential assessment. Municipalities will receive funding if their total assessment per household is less than $185,000.

An overall assessment differential for each eligible municipality is calculated in order to determine the grant amount.

If a municipality has a total assessment per household of less than $185,000, it will receive funding based on the following scale:

Every $10,000 increment in a municipality's total assessment differential will result in an additional $60 in funding.

Distribution: The Assessment Equalization Grant Component is distributed to lower- and single-tier municipalities.

Example 2.1

Municipality A:

- Total assessment per household: $160,000
- Assessment per household below $185,000 threshold: $25,000
- Number of households: 5,000

Total assessment differential: $25,000 × 5,000 households = $125,000,000

Grant Component: $125,000,000 / $10,000 x $60 = $750,000

2. Farmland and Managed Forest Assessment Grant Component

This component provides funding to municipalities with limited property assessment due to a significant amount of farmland and managed forest properties.

The grant provides funding equivalent to 300% of municipal revenue generated from farmland and managed forest assessment where these properties comprise more than 20% of the municipality's tax base. Municipalities that have between 5% and 20% of their tax base made up of these properties receive a portion of this funding on a sliding scale.

Every 2.5% increment in taxes generated from farmland and managed forest properties between 5% and 20% will result in additional funding equal to 50% of the taxes generated by these properties:

Farmland and Managed Forest Assessment Grant Component							
Taxes generated by farmland and managed forest properties (%)	5	7.5	10	12.5	15	17.5	20+
Taxes allocated as grant funding (%)	0	50	100	150	200	250	300

Distribution: This grant is distributed to upper-, lower-, and single-tier municipalities. It provides funding of up to 300% of these municipalities' respective share of revenue generated from these properties.

In 2005, only single- and lower-tier municipalities were eligible for this grant. Funding provided was up to 150% of municipal revenue generated from these properties. For lower-tier municipalities, funding was determined based on the total amount of upper-and lower-tier municipal revenue.

Example 2.2
Municipality A:

- Taxes generated from farmland and managed forest properties: $500,000
- Percentage of total taxes generated from farmland and managed forest properties: 25%

Grant Component: $500,000 × 300% = $1,500,000

Example 2.3
Municipality B:

- Taxes generated from farmland and managed forest properties: $250,000
- Percentage of total taxes generated from farmland and managed forest properties: 7.5%

Grant Component: $250,000 × 50% = $125,000

III. Northern and Rural Communities Grant

This grant provides funding to northern and rural communities in recognition of the unique challenges they face.

In order to support this grant, a Rural and Small Community Measure has been calculated for each municipality to determine the proportion of its population residing in rural areas or small communities (see Appendix A).

The grant has four components:

1. Rural Communities Grant Component

This component provides funding to municipalities based on the proportion of their population residing in rural areas or small communities.

Municipalities with a Rural and Small Community Measure of 75% or more receive the full per household amount of $153. Municipalities with a Rural and Small Community Measure between 25% and 75% receive a portion of this funding on a sliding scale.

Every 5% increment in the Rural and Small Community Measure between 25% and 75% results in an additional $15.30 per household:

Rural Communities Grant Component											
Rural and Small Community Measure (%)	25	30	35	40	45	50	55	60	65	70	75+
Per household Amount ($)	0	15.3	30.6	45.9	61.2	76.5	91.8	107.1	122.4	137.7	153.0

Distribution: The Rural Communities Grant Component is distributed to lower- and single-tier municipalities.

Example 3.1
Municipality A:

- Number of households: 400
- Rural and Small Community Measure: 80%

Grant Component: 400 × $153 = $61,200

Example 3.2
Municipality B:

- Number of households: 600
- Rural and Small Community Measure: 50%

Grant Component: 600 × $76.50 = $45,900

2. Northern Communities Grant Component

This component provides funding to all municipalities in northern Ontario (see Appendix A) based on the number of households. The grant per household is $230.

Distribution: The Northern Communities Grant Component is distributed to all northern municipalities.

3. Northern and Rural Social Programs Grant Component

This component establishes a limit on the share of municipal tax revenue needed to support the municipal share of eligible social programs in northern and rural communities (see Appendix A).

Funding is provided if the municipal share of eligible social program costs (net of the Social Programs Grant) exceeds a threshold of 14% of municipal tax revenue.

All northern municipalities are eligible for this grant if their social program costs exceed the threshold.

Municipalities that are not in the north are eligible to receive the full amount of funding available through this grant component if they have a Rural and Small Community Measure of 75% or greater and their social program costs are greater than the threshold. Municipalities with a Rural and Small Community Measure between 25% and 75% receive a portion of this funding on a sliding scale.

Every 5% increment in the Rural and Small Community Measure between 25% and 75% results in a 10% increase in funding for eligible costs greater than the 14% tax revenue threshold:

Northern and Rural Social Programs Grant Component											
Rural and Small Community Measure (%)	25	30	35	40	45	50	55	60	65	70	75+
Residual social program costs funded (%)	0	10	20	30	40	50	60	70	80	90	100

For northern and rural communities, this grant provides additional funding to complement the support provided through the Social Programs Grant.

Distribution: The Northern and Rural Social Programs Grant Component is distributed to upper- and single-tier municipalities.

Example 3.3
Municipality A:

- Geographic designation: northern
- Municipal share of eligible social program costs: $4,000,000
- Social Programs Grant amount: $2,000,000
- Residual social program costs (costs net of the Social Programs Grant): $2,000,000
- Tax revenue: $10,000,000
- 14% of tax revenue: $1,400,000

Residual social program costs above 14% threshold:
$2,000,000 – $1,400,000 = $600,000

Grant Component: $600,000

Example 3.4
Municipality B:

- Geographic designation: non-northern
- Rural and Small Community Measure: 60%
- Municipal share of eligible social program costs: $10,000,000
- Social Programs Grant amount: $6,000,000
- Residual social program costs (costs net of the Social Programs Grant): $4,000,000
- Tax revenue: $20,000,000
- 14% of tax revenue: $2,800,000

Residual social program costs above 14% threshold:
$4,000,000 – $2,800,000 = $1,200,000

Grant Component: $1,200,000 × 70% = $840,000

4. Stabilization Grant Component

This component provides ongoing funding to municipalities that otherwise would see decreases in funding of more than $150 per household, relative to funding received in 2004 through the Community Reinvestment Fund.

This grant component has been calculated on the basis of 2006 funding levels, and the funding parameter will be maintained at the $150 per household level in future years.

Distribution: The Stabilization Grant Component is distributed to upper-, lower-, and single-tier municipalities.

IV. POLICE SERVICES GRANT

This grant provides funding to rural communities to support eligible policing costs (for definition see Appendix A).

For municipalities with a Rural and Small Community Measure of 75% or more, this grant provides funding equal to:

- 50% of eligible policing costs between $150 and $750 per household, and
- 75% of eligible policing costs above $750 per household.

Municipalities with a Rural and Small Community Measure between 25% and 75% receive a portion of this funding on a sliding scale.

Every 5% increment in the Rural and Small Community Measure between 25% and 75% results in a 5% increase in funding for eligible costs between $150 and $750 per household, and a 7.5% increase in funding for eligible costs above $750:

Police Services Grant											
Rural and Small Community Measure (%)	25	30	35	40	45	50	55	60	65	70	75+
Eligible costs above $150 threshold, up to $750, allocated as funding (%)	0	5	10	15	20	25	30	35	40	45	50
Eligible costs above $750 threshold allocated as funding (%)	0	7.5	15.0	22.5	30.0	37.5	45.0	52.5	60.0	67.5	75.0

For municipalities with a Rural and Small Community Measure of less than 75%, the Police Services Grant will be calculated as 50% of their 2002 eligible per household policing costs between $150 and $750, and 75% for costs above $750 – where this approach generates a greater amount than under the standard calculation detailed above. This is incorporated as a transitional measure that applies to only a small number of municipalities.

Distribution: The Police Services Grant is distributed to those municipalities that provide policing services.

Example 4.1
Municipality A:

- Rural and Small Community Measure: 100%
- Number of households: 1,000
- Eligible policing costs per household: $850
- Eligible costs above $150 per household, up to $750:
  ($750 – $150) × 1,000 = $600,000
- Eligible costs above $750 per household: ($850 – $750) × 1,000 = $100,000

Grant: ($600,000 x 50%) + ($100,000 x 75%) = $375,000

Example 4.2
Municipality B:

- Rural and Small Community Measure: 50%
- Number of households: 2,000
- Eligible policing costs per household: $350
- Eligible costs above $150 per household threshold:
  ($350 – $150) × 2,000 = $400,000

Grant: $400,000 x 25% = $100,000

PHASE-IN STRATEGY

The four-year phase-in strategy introduced in March 2005 has been extended by two years to provide further support to municipalities seeing lower funding in 2009 and 2010.

The resulting phase-in parameters are provided below:

Phase-In Parameters	2005	2006	2007	2008	2009	2010
Maximum Per Household Increase ($)	80	90	100	150	—	—
Maximum Per Household Decrease ($)	0	See note	25	50	75	100
Maximum Municipal Decrease ($)	0	See note	500,000	1,000,000	1,500,000	2,000,000

Per household revenue changes under the OMPF are compared to payments each municipality received under the CRF in 2004 and are expressed as the residential tax impact per household.

There will be no limit on funding increases after 2008.

Note: The maximum decrease for 2006 is the lesser of $10 per household or $250,000. However, with the one-time special assistance, no municipality will see revenue losses in 2006.

IMPLEMENTATION

The OMPF allocations will be announced annually early in the municipal budget planning process, and flowed in quarterly payments to municipalities. All OMPF allocations will be provided to municipalities as unconditional grants.

The Ministry of Finance will calculate municipal allocations based on a defined set of data elements (see Appendix B).

Data elements are stable or live. The "stable" data elements will be established prior to the annual release of allocations, e.g., assessment data and number of households. Stable data elements will be based on the most recent data sets available prior to the allocation year.

A limited number of data elements will be "live" throughout the allocation year. Live data elements will be reconciled regularly to capture both increases and decreases in costs, e.g., policing costs and social program costs. This will result in adjustments to the Social Programs Grant, the Northern and Rural Social Programs Grant Component, and the Police Services Grant.

Social Programs Report

To assist municipalities in anticipating the impact of social program cost changes on their OMPF allocations, the Ministries of Finance, Community and Social Services, and Children and Youth Services have developed a Social Programs Report that is released regularly to municipal service managers and municipalities.

The Social Programs Report provides details on:

- Actual and projected social program costs for each municipal service manager;
- Actual and projected social program costs for municipalities, based on inter-municipal cost-sharing agreements; and
- Social program costs used in the calculation of OMPF allocations.

Municipal Tier Distribution of Funding

Funding provided through the Ontario Municipal Partnership Fund is distributed to upper-, lower-, and single-tier municipalities based on the level of government that is responsible for the service supported by the grant or grant component:

Tier Distribution of Funding	Upper-Tier	Lower-Tier	Single-Tier
I. Social Programs Grant	✓		✓
II. Equalization Grant			
1. Assessment Equalization		✓	✓
2. Farmland and Managed Forest Assessment	✓	✓	✓
III. Northern and Rural Communities Grant			
1. Rural Communities		✓	✓
2. Northern Communities			✓
3. Northern and Rural Social Programs	✓		✓
4. Stabilization	✓	✓	✓
IV. Police Services Grant	✓	✓	✓

Phase-in adjustments will be calculated independently for upper-, lower-, and single-tier municipalities.

ADDITIONAL INFORMATION

This Technical Guide and other 2006 OMPF supporting materials are posted in English and French on the Ministry of Finance website at:
www.fin.gov.on.ca/english/community/ompf/
www.fin.gov.on.ca/french/community/ompf/

If you require additional information regarding your 2006 OMPF allocation, you may contact your local Municipal Services Office of the Ministry of Municipal Affairs and Housing, or e-mail your inquiries and your contact phone number to: info.ompf@fin.gov.on.ca.

Municipal Services Offices
Ministry of Municipal Affairs and Housing

CENTRAL: 777 Bay Street, 2nd Floor Toronto ON M5G 2E5	General Inquiry: (416) 585-6226 Toll Free: 1-800-668-0230 FAX: (416) 585-6882
SOUTHWESTERN: 659 Exeter Road, 2nd Floor London ON N6E 1L3	General Inquiry: (519) 873-4020 Toll Free: 1-800-265-4736 FAX: (519) 873-4018
EASTERN: 8 Estate Lane Rockwood House Kingston ON K7M 9A8	General Inquiry: (613) 548-4304 Toll Free: 1-800-267-9438 FAX: (613) 548-6822
NORTHWESTERN: 435 James St. S., Suite 223 Thunder Bay ON P7E 6S7	General Inquiry: (807) 475-1651 Toll Free: 1-800-465-5027 FAX: (807) 475-1196
NORTHEASTERN: 159 Cedar Street, Suite 401 Sudbury ON P3E 6A5	General Inquiry: (705) 564-0120 Toll Free: 1-800-461-1193 FAX: (705) 564-6863

APPENDICES

Appendix A – Definitions

Eligible Municipal Social Program Costs
Eligible municipal social program costs refer to the costs that municipalities are responsible for under existing cost-sharing arrangements with the Province. Social programs that are eligible for inclusion in determining a municipality's total social program costs for the Ontario Municipal Partnership Fund include:

- Ontario Works income support: 20%
- Ontario Works administration: 50%
- Ontario Disability Support Program income support: 20%
- Ontario Disability Support Program administration: 50%
- Ontario Drug Benefit: 20% of cost of benefit for Ontario Works and Ontario Disability Support Program recipients and dependents
- Child Care: 20% of cost of child care programs, 50% of administration
- Social Housing: 100% of the devolved costs as of 2002
- National Child Benefit: reinvestment of municipal savings

Eligible Police Costs
Eligible police costs include policing services provided by the Ontario Provincial Police (OPP) or a local force to meet the service standards defined in the *Police Services Act*.

Non-eligible police costs include bylaw enforcement and cases where service levels exceed those required by the *Police Services Act*.

Northern Municipality
Northern municipalities are those that lie within any of the following Districts: Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Parry Sound, Rainy River, Sudbury, Thunder Bay, and Timiskaming.

Rural and Small Community Measure
The Rural and Small Community Measure represents the proportion of a municipality's population residing in rural areas or small communities. This approach recognizes that some municipalities include a mix of rural and non-rural areas.

The measure is based on Statistics Canada data and is calculated as follows:

1. Statistics Canada divides municipalities into small geographic areas, typically less than a few hundred residents.

2. These areas are classified by Statistics Canada as rural areas or small communities if they meet one of the following conditions:

   - They have a population density of less than 400 per square kilometre;

   - They have a population density of greater than 400 per square kilometre but cannot be grouped with other adjacent areas (each also with a population density of greater than 400 per square kilometre), to produce a total population concentration greater than 1,000; or

   - They are not economically integrated with a population centre of greater than 10,000.

3. The Rural and Small Community Measure is determined by calculating the proportion of a municipality's population residing in areas that are classified as either rural or part of a small community.

Example

Total municipal population = 1,000
Population in areas that are rural or in small communities = 700
Rural and Small Community Measure = 700 ÷ 1,000 = 70%

Assessment

In this document assessment refers to the total assessment for a municipality weighted by the tax ratio for each class of property plus payments in lieu of property taxes (PILs) made by either the provincial or federal government. (An equivalent PIL assessment is calculated by dividing actual PIL revenues by the residential tax rate in each municipality.)

Appendix B — Data Sources

Data	Year	Source
Live Program Costs*		
Social Assistance Child Care	2006 projections based on 2005 actuals and contract amounts, and 2005 inter-municipal cost shares	Ministry of Community and Social Services (MCSS) Ministry of Children and Youth Services (MCYS)
Reinvestment of National Child Benefit Savings	2006 projection based on 2004 actuals	MCSS
Ontario Provincial Police (OPP)	2006 projected costs	OPP
Municipal Police	2006 projected costs based on 2004 actuals	Projection based on municipal Financial Information Returns (FIR)
Other Program Costs		
Social Housing	2002 devolved costs and 2005 inter-municipal cost shares	Ministry of Municipal Affairs and Housing, Consolidated Municipal Service Managers, and District Social Services Administration Boards
Taxation and Assessment Data		
Weighted Assessment	2006 returned roll and 2006 starting tax ratios	Municipal Property Assessment Corporation (MPAC) and municipal tax rate bylaws
Farmland and Managed Forest Tax Revenue	2005 returned roll and 2005 tax rates	
Estimated Own Purpose Taxation Estimated Payments in Lieu Revenues	2004	Municipal FIRs
Demographic Data		
Number of Households	2005	MPAC Enumeration
Rural and Small Community Measure	2001	Census, Statistics Canada

* Note: Live Program Costs and Cost Shares will be updated regularly to reflect more up-to-date costs.

Appendix C — Summary of 2006 Refinements and Updates

The following table summarizes the refinements and updates to grant parameters for 2006:

Threshold, Benchmark, and Eligibility Criteria	2005	2006
I. Social Programs Grant		
• Percentage of Weighted Assessment	0.20%	0.18%
• Reinvestment of National Child Benefit Savings	Excluded	Included
II. Equalization Grant		
1. Assessment Equalization		
• Average Assessment per household	$170,000	$185,000
• Funding for each $10,0000 in assessment value	$62	$60
2. Farmland and Managed Forest Assessment	Single-tier: up to 150% of single-tier revenue Lower-tier: up to 150% of total upper- and lower-tier revenue Upper-tier: Not eligible	Single-, lower-, and upper-tiers: up to 300% of their respective revenues
III. Northern and Rural Communities Grant		
1. Rural Communities		
• Per household funding	$150	$153
2. Northern Communities		
• Per household funding	$225	$230
3. Northern and Rural Social Programs		
• Percentage of tax revenue	15%	14%
• Reinvestment of National Child Benefit savings	Excluded	Included
IV. Police Service Grant		
• Per household funding level	50% of eligible costs over $150 per household	50% of eligible costs between $150 and $750 per household, and 75% of eligible costs over $750 per household
Phase-In Strategy		
• Grant Reductions after 2008	No limit after 2008	$75 per household to a maximum of $1.5 million in 2009; $100 per household to a maximum of $2 million in 2010

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